

**Opening Statement of the Honorable Fred Upton  
Subcommittee on Commerce, Manufacturing, and Trade  
Hearing on "Balancing Privacy and Innovation:  
Does the President's Proposal Tip the Scale?"**

**March 29, 2012**

*(As Prepared for Delivery)*

Privacy is not a new topic for Congress. Through the decades we have passed statutes protecting electronic communications, financial information, health information, credit information, movie and book rental information, and information gathered about children. But the lightning-fast development of Internet and mobile technology presents issues that were not anticipated even five years ago. Smartphones, tablets, connected entertainment devices and all of the accompanying applications (or "apps") are today's modern marvel, but who knows what will replace them in another five years.

I am highly skeptical of Congress' or a government regulator's ability to keep up with the innovative and vibrant pace of the Internet without breaking it. Consumers and the economy as a whole will not be well served by government attempts to wrap the web in red tape. And we cannot ignore that Internet companies have a strong incentive to protect their users – it's called consumer choice. Today's online consumers are savvy customers who will not be loyal to a company that puts their personal information at risk. The next big thing is just around the virtual corner.

The development and success of the Internet economy in the United States is due in large part to the freedom our entrepreneurs have to dream it and build it. The world's leading Internet companies and innovators have created a vibrant sector of the economy that continues to expand, adding jobs for multinationals and small business alike. According to a recent study by the Boston Consulting Group, the Internet sector accounted for 4.7 percent of our GDP in 2010 — \$684 billion — and is growing faster than the rest of the economy. Apple released a study earlier this month estimating that it alone created or supported 514,000 jobs in the U.S., from engineers to manufacturing to sales clerks.

At its heart, the Internet is a tool that promotes information exchanges, whether for conducting commerce, entertainment, or social interaction. Many of the benefits and attractions of the Internet are a product of its capacity to provide customized services to individuals, but that often requires exchanging identifying or personal information. How that information is treated, who has access to it, and the degree of consumer control are important questions.

Whether the president's plan we are discussing today can be successful in developing consensus codes of conduct that protect privacy is an open question, and perhaps the most important aspect on which the administration framework's success or failure hinges. The administration recognizes that industry-developed standards have proved successful in addressing technical standards for the Internet as well as in other areas of commerce. I am interested to hear how those examples will serve as a template for the multi-stakeholder process the NTIA will convene to move this process forward.

I have additional questions and comments and look forward to discussing them with our witnesses.

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